

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0976-05
Bill No.: Perfected HS for HCS for HB 455
Subject: Health Care; Insurance - Medical; Insurance Dept.
Type: Original
Date: April 30, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)	(Unknown exceeding \$40,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Patrol Highway Fund	(\$5,985)	(\$11,970)	(\$11,970)
Highway Fund	(\$21,972)	(\$43,944)	(\$43,944)
Conservation Fund	(Unknown)	(Unknown)	(Unknown)
Insurance Dedicated Fund	\$8,000	\$0	\$0
Total Estimated Net Effect on Other State Funds	(Unknown exceeding \$19,957)	(Unknown exceeding \$55,914)	(Unknown exceeding \$55,914)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Federal Funds	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

* Revenues and expenditures Unknown exceeding \$60,000 annually and net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** defer to the Department of Transportation for response regarding the fiscal impact of the proposal on the MHP.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state this proposal adds an age restriction of 18 and younger who are covered under a policy, contract, or plan. The proposal also places a \$200 per calendar year cap on hair prosthesis expenses.

The HCP officials state it is unknown how many people will be diagnosed in each year with alopecia and how many would utilize a hair prostheses. This benefit could add some additional cost to the plan, however, it is expected that this amount would be insignificant.

Oversight assumes the insignificant costs could be absorbed by the HCP and/or the health plans offered by HCP.

ASSUMPTION (continued)

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state that although this proposal limits coverage to children and caps the benefits at \$200 per calendar year, the DMS estimates the cost to be unknown but greater than \$100,000. The cost incurred for system work and to recalculate the managed care rates will not decrease because the coverage is limited to children only.

According to the National Alopecia Areata Foundation, approximately 2% of the population is affected by this disease. Based on this statistic, 10,548 Medicaid eligible children could have this disease. If 5 percent of this group would need scalp prostheses, the costs would total \$100,000.

Officials from the **Department of Transportation (DOT)** state currently the DOS & Highway Patrol Medical Plan does not cover hair prostheses; therefore, there would be a fiscal impact to the Plan. According to information found on the National Alopecia Areata Foundation's website, alopecia areata and totalis is the partial or complete loss of hair, which occurs in males and females of all ages and races. However, onset of alopecia areata most often begins in childhood. The website also states that approximately 1.7% of the population, overall, are affected by this disease. Although DOT feels the percentage of children who have alopecia areata is probably less than 1.7%, for the purposes of this fiscal note, DOT is assuming 1.7% due to the unavailability of a percent of children. The DOT/Highway Patrol Medical Plan has approximately 6,500 children who are age 18 and younger. As a result, the DOT/Highway Patrol Medical Plan would have approximately 111 children ($6,500 \times 1.7\%$) age 18 and younger who are affected by alopecia areata.

The legislation limits the coverage of prosthesis to not exceed \$200 per calendar year or a \$3,200 lifetime benefit maximum for those who select a more permanent scalp hair prosthesis, and deductible and copayments cannot be any greater than for other similar health care services provided by the plan.

For purposes of this fiscal note, the DOT is assuming every one of the 111 individuals have already met their deductible and maximum out-of-pocket cost and every individual would have the more permanent scalp hair prosthesis which would cost at least \$3,200. Therefore, each individual would meet their lifetime benefit maximum of \$3,200 in the first year and the Medical Plan would be responsible for the entire \$3,200 per individual in the first year. As a result, the initial impact to the Medical Plan would be approximately \$355,200 ($111 \times \$3,200$).

Currently the DOT/Highway Patrol Medical Plan total population has approximately 76% due to DOT participants and 24% participation due to Highway Patrol. Therefore, approximately \$269,952 ASSUMPTION (continued)

(\$355,200 x 76%) of the total cost is due to DOT participation and \$85,248 (\$355,200 x 24%) is due to Highway Patrol participation.

Oversight assumes that not all participants wanting scalp hair replacement would elect to obtain the replacement in the first year. **Oversight** obtained information regarding the number of dependents in DOT's health plan. DOT has approximately 6,800 dependent participants in the plan between the ages of 0 and 20 years, according to a report submitted by Healthlink, DOT's insurance provider. **Oversight** assumes each year of age has approximately the same number of individuals ($6,800 / 20 = 340$ individuals per age group). Since the proposal does not cover individuals after age 18, **Oversight** adjusted DOT's total population to 6,120 participants [$6,800 - 340$ (19-year olds) - 340 (20-year olds) = 6,120 eligible participants]. If 1.7% of the population is affected by alopecia areata, DOT could have approximately 104 participants affected by this disease ($6,120 \times 1.7\% = 104$)

Oversight further assumes individuals age 16 to 18 would elect to obtain scalp hair replacement in the first year, with an approximately equal number obtaining the replacement each year thereafter. There would be approximately 18 individuals ages 16 to 18 who would elect to obtain the replacement each year [$(104 \text{ affected participants} / 18 \text{ age groups} = 6 \text{ affected participants per group})$; $6 \text{ affected participants} \times 3 \text{ age groups (16-year olds, 17-year olds, and 18-year olds)} = 18$ participants per year electing scalp hair replacement].

The proposal also provides for a lifetime maximum benefit for scalp hair replacement of \$3,200. **Oversight** assumes the DOT would incur approximately \$57,600 ($18 \text{ participants} \times \$3,200$) in costs associated with scalp hair replacement per year. Based on the DOT/Highway Patrol Medical Plan participation, approximately \$43,776 ($\$57,600 \times 76\%$) would be due to DOT participants and \$13,824 ($\$57,600 \times 24\%$) due to Highway Patrol participants. **Oversight** assumes, if this proposal is enacted into law, the provisions to DOT's health plan will become effective January 1, 2004.

For fiscal note purposes only, **Oversight** will present costs to the Patrol Highway Fund and the DOT Highway Fund as all other fund costs are minimal.

Officials from the **Missouri Department of Conservation (MDC)** state this proposal could have fiscal impact to MDC because of increased health insurance costs. The amount of impact is unknown.

Officials from the **Department of Insurance (INS)** state the department estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with this proposal. Policy ASSUMPTION (continued)

amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments and review, the INS will need to request additional staff to handle the increase in the workload.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE			
<u>Costs - Department of Social Services</u>			
Increase in medical assistance payments	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>	<u>(Unknown exceeding \$40,000)</u>
PATROL HIGHWAY FUND			
<u>Costs - Department of Transportation</u>			
Increase in premium costs	<u>(\$5,985)</u>	<u>(\$11,970)</u>	<u>(\$11,970)</u>
ESTIMATED NET EFFECT ON PATROL HIGHWAY FUND	<u>(\$5,985)</u>	<u>(\$11,970)</u>	<u>(\$11,970)</u>
HIGHWAY FUND			
<u>Costs - Department of Transportation</u>			
Increase in premium costs	<u>(\$21,972)</u>	<u>(\$43,944)</u>	<u>(\$43,944)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$21,972)</u>	<u>(\$43,944)</u>	<u>(\$43,944)</u>
<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
CONSERVATION FUND			

Costs - Department of Conservation

Increase in premium costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
CONSERVATION FUND**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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INSURANCE DEDICATED FUND

Income - Department of Insurance

Policy form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET EFFECT ON
INSURANCE DEDICATED FUND**

<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
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FEDERAL FUNDS

Income - Department of Social Services

Increase in Medicaid reimbursements	Unknown exceeding \$60,000	Unknown exceeding \$60,000	Unknown exceeding \$60,000
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Costs - Department of Social Services

Increase in medical assistance payments	<u>(Unknown exceeding \$60,000)</u>	<u>(Unknown exceeding \$60,000)</u>	<u>(Unknown exceeding \$60,000)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL FUNDS***

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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*** Revenues and expenditures Unknown exceeding \$60,000 annually and net to \$0.**

FISCAL IMPACT - Local Government

FY 2004 (10 Mo.)	FY 2005	FY 2006
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

Effective January 1, 2004, this substitute requires health insurance policies to provide coverage for prostheses and scalp hair prostheses worn as a result of hair loss due to alopecia areata or alopecia totalis (areas of hair loss or total hair loss).

The insurance coverage for the prostheses and scalp hair prostheses is limited to persons 18 years of age or younger. The proposal provides a maximum benefit amount up to \$200 per calendar year and a lifetime maximum benefit amount of \$3,200. Covered persons can also request a one-time benefit which will not exceed \$3,200. Health insurers are not prohibited from providing coverage that is greater or more favorable to covered persons than is contained in the proposal.

Covered persons cannot be subject to any greater deductibles or copayments than similar health care services covered by a policy, contract, or plan.

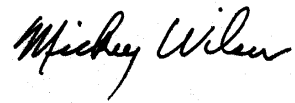
Certain insurance policies such as supplemental policies and specified disease policies are excluded from the provisions of the substitute.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Social Services
Department of Public Safety -
 Missouri Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation

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A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA
DIRECTOR
APRIL 30, 2003